



CITY OF SANTA BARBARA

COUNCIL AGENDA REPORT

AGENDA DATE: June 23, 2009

TO: Mayor and Councilmembers

FROM: Administration Division, Finance Department

SUBJECT: Adoption Of The Operating And Capital Budget For Fiscal Year 2010

RECOMMENDATION: That Council adopt, by reading of title only:

- A. A Resolution of the Council of the City of Santa Barbara Adopting the Budget for the Fiscal Year 2010 by Appropriating Moneys for the Use and Support of Said City from the Funds and to the Purposes Herein Specified;
- B. A Resolution of the Council of the City of Santa Barbara Establishing the City's Appropriation Limitation for Fiscal Year 2010;
- C. A Resolution of the Council of the City of Santa Barbara Establishing Certain City Fees, Including Water and Wastewater Rates, and Rescinding Resolution Nos. 08-060, 08-097, 08-111, 08-112, 09-007, 09-016, and Section 2 of Resolution No. 85-066;
- D. A Resolution of the Council of the City of Santa Barbara Authorizing Classified and Unclassified Positions in the City's Service Effective July 1, 2009, and Providing a Schedule of Classifications and Salaries for the Same in Accordance with the Operating Budget for the 2010 Fiscal Year;
- E. A Resolution of the Council of the City of Santa Barbara Authorizing the Continuation of Capital and Special Project Appropriations to Fiscal Year 2010;
- F. A Resolution of the Council of the City of Santa Barbara for Paying and Reporting the Value of Employer-Paid Member Contributions (EPMC) for Regular Miscellaneous Employees Effective June 20, 2009; and
- G. A Resolution of the Council of the City of Santa Barbara for Employer-Paid Member Contributions for Hourly Employees Effective June 20, 2009.

DISCUSSION:

The Recommended Operating and Capital Budget for Fiscal Year 2010 was filed with the City Council on April 21, 2009. Since that time, the City Council held nine budget review sessions and public hearings. In addition, the Finance Committee held five meetings on the Recommended Budget, including the capital program budget, and revenues and fees.

As filed in April, the recommended Citywide budget totaled approximately \$282.4 million summarized as follows:

Use of Reserves*	\$ 7,117,052
Revenue	275,351,377
Total Sources	<u>\$ 282,468,429</u>
Operating Budget	\$ 253,241,592
Capital	29,152,033
Total Uses	<u>\$ 282,393,625</u>
Surplus	<u>\$ 74,804</u>
* for Enterprise Fund capital	

The General Fund budget as filed totals approximately \$106 million

Revenue	<u>\$ 106,048,498</u>
Operating Budget	\$ 104,745,828
Capital	1,302,670
Total Uses	<u>\$ 106,048,498</u>

Action Taken By City Council on June 9th

On June 9, 2009, Council approved a number of adjustments to the recommended General Fund budget. The General Fund budget that is before Council for adoption incorporates all of the adjustments approved by Council, which are shown below and in Attachment 3:

Additional Cost Items:

Cost of Avoiding Layoffs	\$ 589,503
Reduce Waterfront Lifeguard Cost Shift by loan interest amount	74,131
Increase Appropriated Reserves Due to Uncertainty	300,000
Restore 8.4% Cut to New Beginnings	3,654
Restore 8.4% CVB Funding Cut	<u>125,957</u>
Total Additional Cost Items	\$ 1,093,245

Cost Savings and Increased Revenues

Additional Reductions to Employee Development Program	\$ 21,722
Phase-Out of Zoo Water Purchase (Savings in each of next 3 yrs.)	52,774
Reducing General Fund Contributions to Vehicle Repl. Fund	372,424
Delay Specified Capital Projects for 1 Year	445,000
Shifting 50% of D.O. Contract to Downtown Parking	112,621
Savings from Restoring Library FT Staff	14,573
Charge Interest on Waterfront Loan	<u>74,131</u>
Total Cost Savings or Increased Revenues	\$ 1,093,245

The only changes to the recommended Enterprise or Special Revenue Fund budgets are the result of the changes to the General Fund budget listed above and adjustments to recognize savings through furloughs and other labor concessions.

Recent Developments and Ongoing Uncertainties

Revenues

Unfortunately, City revenue receipts continue to decline beyond what we had anticipated. For example, sales tax revenue for the March quarter was down 17.6% from the prior year. This represents an unprecedented decline and is the second consecutive quarterly double-digit decline in our sales tax revenue. The 17.6% decline exceeded the statewide decline of 16.4%. May Transient Occupancy (TOT) results are also down significantly, with a decline of 15.5% from the prior May. This substantial decline will, like the sales tax results, require a reassessment of both our fiscal year 2009 year-end estimate and our fiscal year 2010 projection.

Finance staff has yet to analyze the impact of this latest round of bad news on fiscal year 2010 revenue estimates. However, we will provide Council a preliminary analysis at the June 23 Council meeting.

State Budget Actions

We are also concerned about the State budget situation. The State Department of Finance has proposed a Proposition 1A property tax shift which would cost California local governments a total of \$2 billion. Santa Barbara's share would be \$1.6 million. The fact that under Proposition 1A, the property tax loan would have to be repaid with interest within three years is causing the Legislature to reconsider the wisdom of this option. However, with the continued gridlock in Sacramento and the history late-night negotiated "solutions," we should not assume that the Legislature will not include this option in their final budget.

The Governor and Legislature are also considering an ongoing seizure of most of our local Highway Users Tax Account (HUTA, or gas tax) to fund infrastructure bond debt service payments out of the State's General Fund. Statewide this represents a loss of approximately \$1 billion in city and county gas tax revenue. If included in the State's adopted budget, it will represent a loss of \$1.5 million of our \$1.75 million gas tax revenue budget. This would have a major impact on our streets program. The League of California Cities believes this proposed seizure violates Article XIX of the California Constitution and has promised to pursue litigation if the Legislature implements this option.

Police Officers Association (POA) Offer

Last week, the POA submitted a letter to the City Administrator proposing various wage and benefit changes as follows:

- Suspension of the annual vacation/holiday/compensatory time cash out.
- Suspension of monthly holiday time cash outs.

- Extension of the term of the current labor agreement six months, from December 31, 2009 to June 30, 2010.

Staff estimates that the suspension of leave cash outs offered by the POA will result in one-time savings to the General Fund of approximately \$259,000 in fiscal year 2010. While the cost savings offered by the POA are real, leave time cash outs are not a budgeted item. Departments are expected to absorb the cost of leave time cash outs within their existing appropriation authority. Therefore, savings from the POA offer will not result in a reduction of the Police Department budget. Rather, the savings will be realized by an increase in the year-end variance.

Pending Budget Decisions - Possible Funding Sources to Restore Police Positions

At the June 9th meeting, Council asked staff to identify funding options if the Council were to decide to restore two non-sworn positions in the Police Department budget, a Police Range/Equipment Specialist and a PC/Network Technician. Specifically, Council requested that staff identify which items from the \$1.9 million contingency list would be recommended if Council were to direct the restoration of these two positions.

Attachment 2 is the entire \$1.9 million contingency list. Attachment 1 is a list of the items from the contingency list that staff would recommend as funding options should Council direct the restoration of these two positions. The following is a listing of the selected items, in priority order.

City Clerk

- Reduce Office Supplies and Expenses \$ 852

City Administrator

- Reduce Attorney support for employee negotiations \$ 2,298
- Reduce frequency of the Inside Santa Barbara TV news magazine 14,000
- Eliminate closed captioning services for all City Council Meetings 21,632

Community Development

- Eliminate Board/Commission Stipends \$ 50,700
- Additional Reduction of Line Items 8,761

Library

- Reduce Funding for Santa Barbara Reads Due to Receipt of Grant \$ 9,500
- Eliminate Sunday hours (1pm-5pm) at Central 34,000
- Reduce collection materials budget 10,614

TOTAL \$ 152,357

Given the continuing deterioration of key City revenues and the possibility of significant impacts from State budget actions, staff continues to be very concerned about adding any ongoing costs back to the budget. As a result, we do not recommend restoring these positions at this time.

Summary

We are recommending that the City Council adopt seven resolutions in order to adopt the budget for Fiscal Year 2010. These resolutions will accomplish the following:

1. Adopt the annual operating and capital budget for Fiscal Year 2010;
2. Adopt the City's appropriation limit for Fiscal Year 2010 pursuant to Article XIII B of the California Constitution;
3. Adopt the master fee resolution for Fiscal Year 2010 establishing citywide fees in the various departments and funds. Copies are available for review in the City Clerk's Office and for public review online as part of the Council Agenda Packet;
4. Approve the authorized positions for Fiscal Year 2010, including the position changes presented in the budget and the corresponding salary ranges. Copies are available for review in the City Clerk's Office and for public review online as part of the Council Agenda Packet;
5. Authorize the City Administrator to carryover Fiscal Year 2009 appropriations into the Fiscal Year 2010 for capital and special projects that will not be completed before the end of the current fiscal year; and,
6. Establish the portion of the Employee PERS contribution rate to be paid by the City ("Employer-Paid Member Contribution") for the City's authorized and hourly Miscellaneous (non-safety) PERS employees. This cost-sharing agreement was established by labor agreement and is adjusted annually based on changes to the City's employer contribution rate.

Copies of all the budget resolutions are available in the Finance Department for public review.

ATTACHMENTS:

1. Potential Additional Reductions to Restore Police Positions
2. Summary of General Fund Contingency Adjustments by Department
3. Budget Action Taken by Council on June 9th

PREPARED BY: Michael Pease, Budget Manager

SUBMITTED BY: Robert D. Peirson, Finance Director

APPROVED BY: City Administrator's Office

Potential Additional Reductions to Restore Police Positions
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Administrative Services

City Clerk - Reduce Office Supplies and Expenses	\$ 852
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City Administrator

Employee Relations - Reduce Attorney support for employee negotiations	\$ 2,298
City TV - Reduce frequency of the Inside Santa Barbara TV news magazine from 12 to 6 shows per year	14,000
City TV - Eliminate closed captioning services for all City Council Meetings	21,632

Community Development

Eliminate Board/Commission Stipends	\$ 50,700
Additional Reduction of Line Items (1/2 of contingency cuts)	8,761

Library

Reduce Funding for Santa Barbara Reads Due to Receipt of Grant	\$ 9,500
Eliminate Sunday hours (1pm-5pm) at Central	34,000
Reduce collection materials budget	10,614

TOTAL

\$152,357

Summary of General Fund Contingency Adjustments By Department

(in priority order)

Department	Itemized
<u>Administrative Services</u>	\$ 62,723
City Clerk - Reduce Office Supplies and Expenses	852
Human Resources - Eliminate LEAP Administrative Specialist	43,285
Human Resources - Reduce Tuition Reimbursement (INCLUDED IN COUNCIL ADJUSTMENTS)	18,586
<u>City Administrator</u>	\$ 58,091
Employee Relations - Reduce Attorney support for employee negotiations	2,298
City TV - Reduce frequency of the Inside Santa Barbara TV news magazine from 12 to 6 shows per year	14,000
City TV - Eliminate closed captioning services for all City Council Meetings	21,632
City TV - Eliminate Spanish translation service for all City Council meetings	20,161
<u>City Attorney</u>	
Positions working on tort litigation to be funded in part or whole by Risk Management liability fund	\$ 55,428
<u>Community Development</u>	\$ 261,786
Eliminate Board/Commission Stipends	50,700
Additional Reduction of Line Items	17,521
Eliminate Building Insp Aide (BIA) & Project Planner	193,565
<u>Finance</u>	\$ 120,436
Eliminate Administrative Specialist in Purchasing	66,507
Eliminate Administrative Specialist in Utility Billing	63,929
Restore TOT audits	(10,000)
<u>Fire</u>	
Fire Station "Brown Out Shifts" totaling 72 days	\$ 232,056
<u>Library</u>	\$ 117,162
Eliminate Sunday hours (1pm-5pm) at Central	34,000
Eliminate Santa Barbara Reads	9,500
Reduce collection materials budget	41,662
Increase Rental Income from Police Department - \$4,000/mo. Nov-June	32,000
<u>Mayor & Council</u>	
Not Submitted	\$ -
<u>Parks & Recreation</u>	\$ 382,664
Reduce 2009 summer fun program to half day format	33,863
Reduce participation in campus based afterschool program	7,400
Close west beach wading pool	5,038
Eliminate hourly funding for 1 of 2 Job Apprentice Program Coordinator II positions	13,300
Eliminate Neighborhood and Outreach Services Supervisor I position	110,110
Eliminate Grounds Maintenance Worker I	70,791
Reduce Park Maintenance Seasonal Hourly Staffing	35,000
Eliminate Senior Maintenance Worker	73,732
Reduce Park Maintenance Seasonal Hourly Staffing	33,430
<u>Police</u>	\$ 424,679
Eliminate 3 Police Officers	336,000
Create 2 Police Technician positions	(133,226)
Eliminate 1 Crime Analyst	84,312
Eliminate 1 Records Specialist	60,147
Eliminate 1 Animal Control Officer	66,446
Animal Control Vehicle	11,000
<u>Public Works</u>	\$ 185,684
Delete Project Engineering II position - program 4211	99,152
Split Senior Engineering Tech 50-50 with fund 341	41,532
Increase Engineering Billable Hours from 65% to 70% - Revenue increase	45,000
TOTAL	<u>\$ 1,900,709</u>

Budget Action Taken By City Council on June 9th

DESCRIPTION		TOTAL AMOUNT	ADOPTED	UNFUNDED/ BALANCE
ADDITIONAL COST ITEMS				UNFUNDED
a.	Cost of Avoiding Layoffs	\$ 589,503	\$ 589,503	\$ -
b.	Keeping Central and Eastside Libraries Open on Mondays	197,797	-	197,797
c.	Reduce Scope of Waterfront Cost Shift (Lifeguards = \$147,000)	62,000	62,000	-
d.	Increase Appropriated Reserves Due to Uncertainty (\$300,000 - \$500,000)	300,000	300,000	-
e.	Cost to Restore Proposed 8.4% Cut to New Beginnings	3,654	3,654	-
f.	Restore CVB Funding Cut (8.4%)	125,957	125,957	-
g.	Youth Apprentice Program	20,000	-	20,000
h.	Restoring Position Cuts to Fire	96,674	-	96,674
i.	Restoring Position Cuts to Police (Range Master & I.T. Tech)	152,357	-	152,357
Sub-Total		1,547,942	1,081,114	466,828
COST SAVINGS OR INCREASED REVENUES				BALANCE
a.	Additional Reductions to Employee Development Program	21,722	21,722	-
b.	Phase Out of Zoo Water Purchase - (Savings in each of the next 3 years)	52,774	52,774	-
c.	Reducing General Fund Contributions to Vehicle Replacement Fund	372,424	372,424	-
d.	Delay Specified Capital Projects for 1 Year	445,000	445,000	-
e.	Utilization of Measure G Utility Tax Funds for One Year	1,000,000	-	1,000,000
f.	Shifting 50% of D.O. Contract to Downtown Pkg. (Currently \$200,000)	112,621	112,621	-
g.	Use General Fund Appropriated Reserves	339,553	-	339,553
h.	Shifting Beach Maint. to Measure B Fund.	240,000	-	240,000
i.	Savings from Restoring Library FT Staff	14,573	14,573	-
j.	Charge Interest on Waterfront Loan	62,000	62,000	-
k.	(Other)	-	-	-
Sub-Total		2,660,667	1,081,114	1,579,553
SURPLUS (DEFICIT)		\$ 1,112,725	\$ -	\$ 1,112,725